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C O N F I D E N T I A L SECTION 01 OF 04 RPO DUBAI 000366

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TAGS: PGOV IR PREL PARM

SUBJECT: IRAN OFFICIALS, PRESS SPIN IAEA REPORT ON EVE OF P5+1 MEETING

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CLASSIFIED BY: Alan Eyre, Director, Iran Regional Presence Office, DOS.

REASON: 1.4 (b), (d)

**¶1.** (SBU) SUMMARY: Though Iran's envoy to the IAEA Ali Asghar Soltanieh and the head of the Iranian Atomic Energy Organization Ali Akbar Salehi took the nominal lead in spinning the August 28 IAEA report as a vindication of Iran's positions, their public comments offered little new insight to the Iranian leadership's mindset as the IRIG prepares to present its "revised proposal" to the P5+1. However, the September 1 lead editorial of the hardcore conservative Kayhan newspaper, whose editorial stance is closely aligned with the Supreme Leader and whose editor is reputedly a confidante of Khamenei, provides an extensive evaluation of the report and its political implications for Iran. The lengthy editorial argues that the United States has already concluded Iran will eventually join the nuclear club. The editorial characterizes Iran as occupying a position of strength and thereby not needing to negotiate, whereas due to (inter alia) its regional concerns the U.S. is compelled to seek interaction with Iran. END SUMMARY.

Iran's Revised Proposal Ready

**¶2.** (U) On September 1 Secretary of the Supreme National Security and chief nuclear negotiator Saeed Jalili told reporters Iran is "ready to present a proposal to help resolve the world's common concerns and work toward the establishment of justice and peace. Jalili said that Iran's offer last year to negotiate was interrupted by various problems, to include the conflict in Georgia, the world economic crisis, and the U.S. presidential election. "Now," however, after the "glorious presidential election in our country and with the authority and backing of a strong republic, we have a new proposal to offer." Jalili's announcement came on the heels of aggressive campaign by IRIG senior officials and media to characterize the August 28 IAEA report as vindication of the peaceful nature of its nuclear program and highlight its cooperation with the IAEA.

IRIG Officials Play Up Positive Aspects of IAEA Report

**¶3.** (U) Predictably, Iran is interpreting the latest IAEA report as a vindication of its positions, with headlines quoting Iran's

IAEA Representative Dr. Ali Asghar Soltanieh as saying, "from Iran's point of view the nuclear issue is settled." The new head of the Atomic Energy Organization of Iran, Ali Akbar Salehi, emphasized the latest report is more positive than previous IAEA reports, a development he attributed in an interview on state radio to "Iran's new approach." (NOTE: This "new approach" is presumably a reference to Iran's decision to allow IAEA inspectors to visit the heavy water reactor at Arak and the Natanz enrichment facility.) A common IRIG talking point, echoed by both Soltanieh and Salehi as well as by Majles members and other sources, is that with this report IAEA chief Mohammad ElBaradei has declared Iran's nuclear program peaceful "for the twentieth time." (COMMENT: In this regard one can expect that the IRIG will make optimal publicity use of El-Baradei's just disclosed July comments that Iran's nuclear threat is "hyped," reported extensively in Iranian and Western press on September 2).

#### Iran's "New Approach" Pays Dividends

**¶4.** (U) After the report was released on August 28, in an interview with ISNA Soltanieh outlined examples of how Iran's "pro-active cooperation" with the IAEA resulted in more favorable report. Specifically, he referenced the IRIG's decision to allow inspectors into the heavy water reactor at Arak, a move he said goes beyond Iran's treaty obligations. He also said the IAEA heralded Iran's decision to give inspectors access to Natanz, noting that "Iran has carried out enrichment at Natanz with full transparency under the supervision and inspection of Agency cameras and inspection is ongoing." Soltanieh pointed to Iran's agreement to allow surprise inspections as another positive aspect of the IRIG's cooperation with the IAEA, emphasizing that Iran and the Agency agreed on procedures for unannounced inspections within the context of the Comprehensive Safeguards (vice the Additional Protocol).

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Similarly, he noted Iran and the IAEA have agreed on a method for accounting for nuclear materials. In an August 30 ISNA interview Salehi also played up Iran's improved working relationship with the IAEA, attributing the Agency's decision to "resist certain belligerent countries" by excluding "undocumented studies" from its report as a direct benefit of Iran's enhanced cooperation.

**¶5.** (U) An August 30 pro-Ahmadinejad Fars News Agency piece focused on Salehi's criticism of the IAEA's referral of Iran to the UN Security Council, a step he termed "illegal" and "illogical" given Iran's fulfillment of its obligations. The same article characterized Salehi as "lambasting" the West's "double standards" and describing allegations against Iran's nuclear program as politically motivated.

#### Kayhan Editorial Offers Window into Leadership's Mindset?

**¶6.** (U) The September 1 lead editorial from the hardcore conservative newspaper Kayhan dealt with the latest IAEA report and the possibility of Iran-US nuclear discussions. Since this paper's editorial stance is widely regarded as a relection of that of the Supreme Leader, it is worth considering at length. Concerning the August IAEA report, the editorial said:

From a legal standpoint:

- The latest report is repetitive, with all the so-called "negative" points having been included in previous reports, to include the fact that Iran has not carried out verified suspension of its enrichment activities and that since the passage of UNSCR 1737 Iran has refused to carry out Code 3.1 of the Subsidiary Arrangements. Additionally, as Iran does not consider discussion of the "Alleged Studies" to be credible enough to discuss with the IAEA.

- Iran won't suspend its program because it views the forwarding of Iran's nuclear portfolio to the UN Security Council in February 2006 as a violation of the IAEA charter. Also,

Iranian suspension would vitiate any probably subsequent discussions in the future, as the talks held in 2003-2005 demonstrate.

- Iran will not carry out the Additional Protocols and Code 3.1 of the Subsidiary Arrangements because they are all voluntary and Iran has no legal obligation to implement them. Also, forwarding Iran's case to the Security Council led the Majles to pass a law barring the government from executing voluntary actions.

From a technical viewpoint:

- This report differed from previous ones, confirming that there are now more than 7000 IR-1 centrifuges, whereas at the time of the last report there were approximately 5000 installed at Natanz.

- The report's technical section shows that Iran has solved all technical problems relating to expanding enrichment capacity and now has the technical ability for "any type of political decision" it wishes to make. More importantly, the continuous increase in the number of centrifuges shows that Iran's domestic internal political crises do not influence the rate of development of Iran's nuclear program.

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From a political viewpoint:

- the legal aspects of the IAEA's latest report are unimportant relative to the political ones.. What are important to note are the political factors that influenced this report as well the report's political influence on the nuclear portfolio and Iran's national security. It is clear that 'the Americans, Europeans and Zionists' saw a negative IAEA report as essential for the G-6 Group Strategy on Iran. To this end, the West put heavy pressure on the IAEA for maximum negativity in this report.

- This strategy derives from President Obama's strategy, which emphasizes the necessity of negotiating with Iran. America's regional problems compel it to engage with Iran, but the West now senses that Iran doesn't feel the need for talks with the West.

- The goal of the G-6 diplomacy is to draw Iran into negotiations and it is for this reasons that, in contrast to the past, they have expunged the word "suspension" from their vocabulary when talking about Iran.

- The West now knows that Iran's new government, with its massive validation by the recent Presidential vote, is in a very favorable position to resist Western demands. The West doesn't believe the lies they themselves have created and know that there was no fraud in the recent election.

-Despite 'crazy Israeli assertions' that Iran's nuclear program has passed the point of no return and as such the only choice is living with the threat of a nuclear Iran or launching a military attack against Iran, the U.S. has clearly said that there is only one option and that is accepting Iran in the nuclear countries club. America's viewpoint is that all that can be done is to adopt a series of cautionary measures such as extending American's nuclear umbrella to the region as Secretary Clinton has mentioned. Therefore, it would not be strange if the West had concluded that talks with Iran must start as soon as possible, and if Iran is not currently willing to engage in this process it must be forced to do so.

- Western talk of gasoline sanctions is borne of such a mentality. No one in the West says that if Iran does not suspend enrichment they will block oil exports to Iran; instead, all the talk is that if Iran does not enter talks by the end of September with the G-6 Group, "studying additional sanctions will begin." As such, the threat of sanctions is essentially 'a disrespectful way of requesting Iran to enter negotiations.'

- The West's problem is that (inter alia) enacting a new round of sanctions will face Russian and Chinese opposition, given that the IAEA has announced that Iran's nuclear program is peaceful and under supervision. Therefore, the West has decided to bring pressure on the IAEA by publishing forged documents (NOTE: "alleged studies") as annexes to its report, and thereby strengthen its position with those who oppose sanctions. But it is important to note that the report doe not in any way confirm the authenticity of these "alleged studies."

- In conclusion, the most important consequence of the latest IAEA report is that the IAEA places no credibility in the "alleged studies" and this in turn actually signifies the closing of Iran's nuclear file. The 2007 "Agreed Modalities" document between Iran and the IAEA specified six subjects for discussion and now all six have been concluded.

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¶7. (C) COMMENT: Iran is spinning the latest IAEA report to contend that its nuclear issues with the IAEA are settled, and all else is Western bullying and bluster. As for the announcement of its "new, improved" package, it is unclear whether it will be substantively different from the one it put on the table in May 2008. END COMMENT.

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